

Message Text

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DRAFTED BY:M/MS:RGMAYS, JR.

DRRAFTED BY:M/MS:RGMAYS, JR.

IRS - MR. CHRISTY

NEA/EX - MR. JONES

DG/PER - MR. BISHTON

EA/EX - MR. CHAMPAGNE

SCA - MISS PANIZZA

FRM/FM - MRS. SMITH

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R 182121Z DEC 73

FM SECSTATE WASHDC

TO AMEMBASSY CANBERRA

AMEMBASSY SINGAPORE

INFO AMEMBASSY MANILA

AMEMBASSY WELLINGTON

AMEMBASSY SUVA

AMEMBASSY NEW DELHI

AMEMBASSY DACCA

AMEMBASSY RANGOON

AMEMBASSY KUALA LUMPUR

AMEMBASSY JAKARTA

AMEMBASSY BANGKOK

AMEMBASSY VIENTIANE

AMEMBASSY PHNOM PENH

AMEMBASSY SAIGON

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C O R R E C T E D C O P Y (P A R A 5. CORRECTED).

E.O. 11652 N/A

TAGS:OGEN, CASC

SUBJECT: OPRED - PROPOSAL TO EXPAND OVERSEAS STAFF OF
INTERNAL REVENUE SERVICE

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1. CITING EXPANSION OF US TRADE AND INVESTMENT IN FOREIGN
COUNTRIES, INCLUDING AMERICAN OWNERSHIP AND CONTROL OF

FOREIGN CORPORATIONS, PLUS CONTINUING SUBSTANTIAL INCREASE IN NUMBER OF AMERICANS LIVING ABROAD, TREASURY DEPARTMENT IS REQUESTING AUTHORIZAION TO INCREASE THE NUMBER OF OVERSEAS OFFICES AND PERSONNEL OF THE INTERNAL REVENUE SERVICE.

2. BASIC PURPOSES OF PROPOSED INCREASE ARE:

(A) TO PROVIDE NEEDED TAX INFORMATION AND ASSISTANCE TO THE ROUGHLY 340,000 AMERICAN HEADS OF HOUSEHOLD RESIDING ABROAD AND APPROXIMATELY 40,000 FOREIGN CORPORATIONS CONTROLLED OR INFLUENCED BY U.S. INTERESTS WORLDWIDE.

(B) TO COVER SOME LARGE AREAS CURRENTLY RECEIVING NO COVERAGE, RAISE THE RATIO OF IRS PERSONNEL TO AMERICANS RESIDING ABROAD, AND RELATE THE STAFF SIZE OF EACH OVERSEAS OFFICE TO ITS CASELOAD.

(C) TO OVERCOME THE SERIOUS AND GROWING NON-COMPLIANCE SITUATION IN WHICH NEARLY 50 PERCENT OF AMERICAN CITIZENS ABROAD CURRENTLY FILE NO RETURNS, AND FAULTY REPORTING OF TAXABLE INCOME IS AN INCREASINGLY SERIOUS PROBLEM.

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(D) TO INTENSIFY FOREIGN AUDIT, COLLECTION AND COLLATERAL INVESTIGATIONS ACTIVITIES.

(E) TO FACILITATE SETTLEMENT OF CASES INVOLVING APPLICATION OF FOREIGN TAX LAWS AND TAX TREATIES TO U.S. CITIZENS ABROAD AND, CONVERSELY, APPLICATION OF U.S. LAWS AND TAX TREATIES TO FOREIGN NATIONALS.

3. ONE ASPECT OF EXPANSION PROPOSAL CALLS FOR ESTABLISHING FIVE NEW OVERSEAS OFFICES, EACH HAVING ONE REVENUE SERVICE REPRESENTATIVE-RSR, ONE ASSISTANT RSR AND ONE AMERICAN CLERK, WITH ADJUSTMENTS IN TERRITORIAL JURISDICTIONS NOW ASSIGNED TO SEVERAL EXISTING OFFICES. PROPOSAL WOULD REDISTRICT SOUTHEAST ASIA AND SOUTH PACIFIC AREA (NOW COVERED OUT OF MANILA) INTO THREE AREA JURISDICTIONS, WITH MANILA OFFICE GIVING UP TERRITORY TO NEW OFFICES AT SINGAPORE AND CANBERRA. SINGAPORE UNIT WOULD COVER INDIA, BANGLADESH, BURMA, MALAYSIA, INDONESIA, THAILAND, LAOS AND

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CAMBODIA. UNIT AT CANBERRA WOULD COVER AUSTRALIA, NEW ZEALAND, AMERICAN SAMOA, FIJI AND NEW HEBRIDES. WHEN THE IRS OFFICE AT SAIGON IS CLOSED, RESPONSIBILITY FOR VIETNAM WOULD EITHER MOVE TO SINGAPORE OR REVERT TO THE MANILA OFFICE, WHICH MEANTIME REMAINS RESPONSIBLE FOR GUAM, TAIWAN AND HONG KONG AS WELL AS THE PHILIPPINES.

4. IRS STATES THAT OPENING NEW OFFICES WOULD GO FAR TO OVERCOME PRESENT HANDICAP OF EXCESSIVE TIME TRAVELLING FACED BY AGENTS, PERMIT MORE THOROUGH COVERAGE OF TERRI-

TORIES, AND APPRECIABLY REDUCE THE LOPSIDED RATIO OF TAX-PAYERS TO IRS PERSONNEL OVERSEAS. SMALLER TERRITORIES WOULD PERMIT SERVICE PERSONNEL TO IMPROVE THEIR FAMILIARITY WITH THESE AREAS, INCREASE THEIR NUMBER OF USEFUL PERSONAL CONTACTS AND KNOWLEDGE OF INVESTIGATIVE LEADS, PROVIDE MORE TIME AND BETTER BACKGROUND WITH WHICH TO INDOCTRINATE VISITING AUDIT TEAMS, AND SIGNIFICANTLY STRENGTHEN COLLECTION ACTIVITY WHICH IS NOW SERIOUSLY NEGLECTED BECAUSE OF LIMITED MANPOWER. INCREASE IRS OFFICES AND PERSONNEL WOULD PROMOTE SUBSTANTIALLY HIGHER LEVEL OF VOLUNTARY COMPLIANCE AND SIGNIFICANT INCREASE IN REVENUE. SHOULD ALSO ENABLE APPLICATION OF MORE IRS TIME TO LIAISON WITH FOREIGN TAX DEPARTMENTS FOR NONCOMPLIANCE PURPOSES AND TO ASSISTING U.S. TAXPAYERS IN DIFFICULTIES ARISING FROM INTERACTION OF DIFFERENT TAX SYSTEMS.

5. IRS ESTIMATES OFFICE STAFF OF THREE WOULD NEED 800-900 SQUARE FEET OF SPACE, PREFERABLY BUT NOT NECESSARILY IN EMBASSY. ALL IRS PERSONNEL WOULD HAVE TOP SECRET CLEARANCES. ANTICIPATE MINIMAL USE OF MISSION COMMUNICATIONS. ADMINISTRATIVE SUPPORT COSTS WOULD BE COVERED UNDER SAS.

6. ACTION REQUESTED. COMMENTS ON IRS PROPOSAL BY ACTION ADDRESSEE COMS, INCLUDING ANY IMPACT ON MISSION'S ADMINISTRATIVE SUPPORT CAPABILITY, PLUS ATTITUDE OF HOST GOVERNMENT, TO WHICH INFORMAL APPROACH CAN BE MADE IF POST HAS NO SERIOUS RESERVATIONS ABOUT PROPOSAL. RUSH

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